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Legislative Auditor
**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.
and GOODWORKS, INC.**
December 31, 1998

Audit of Combined Financial Statements

December 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-21-99

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Board of Directors

Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc.

Independent Auditor's Report

We have audited the accompanying combined statement of financial position of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.** as of December 31, 1998, and the related combined statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.** as of December 31, 1998 and the combined changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 1999, on our consideration of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s and GOODWORKS, INC.'s** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic combined financial statements of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedules I through III are presented for the purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.



A Professional Accounting Corporation

June 18, 1999

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1998**

ASSETS

CURRENT

Cash and Cash Equivalents	\$ 641,592
Investments	226,424
Accounts Receivable - Trade	1,117,706
Merchandise Inventory	305,583
Prepaid Expenses and Other	<u>199,046</u>
 Total	 <u>2,490,351</u>

PROPERTY AND EQUIPMENT

Land	281,964
Building and Building Improvements	1,470,416
Machinery and Equipment	419,827
Furniture and Fixtures	533,719
Handy-Vans	11,743
Automobiles and Trucks	216,917
Leasehold Improvements	174,064
Condo - Timeshare	<u>30,000</u>
	3,138,650
 Less: Accumulated Depreciation	 <u>1,756,173</u>
 Property and Equipment - Net	 <u>1,382,477</u>

OTHER ASSETS

Deposits	<u>39,307</u>
 Total Assets	 <u><u>\$ 3,912,135</u></u>

The accompanying notes are an integral part of these combined financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable - Accrued Expenses and Taxes	\$ 708,223
Deferred Revenue	17,333
Notes Payable	<u>132,554</u>
 Total Liabilities	 <u>858,110</u>

NET ASSETS

Unrestricted	3,054,025
Temporarily Restricted	-
Permanently Restricted	<u>-</u>
 Total Net Assets	 <u>3,054,025</u>

Total Liabilities and Net Assets	<u>\$ 3,912,135</u>
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**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
COMBINED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 1998**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SALES REVENUE				
Retail Stores	\$ 4,578,490	\$ -	\$ -	\$ 4,578,490
Contributed Revenue - Donated Goods	2,482,987	-	-	2,482,987
Salvage	299,135	-	-	299,135
Catering	33,132	-	-	33,132
Total	<u>7,393,744</u>	<u>-</u>	<u>-</u>	<u>7,393,744</u>
VOCATIONAL TRAINING REVENUE				
Janitorial Contracts	3,906,102	-	-	3,906,102
Training Fees	425,218	-	-	425,218
Training Fees - United Way	148,152	-	-	148,152
Total	<u>4,479,472</u>	<u>-</u>	<u>-</u>	<u>4,479,472</u>
OTHER SOURCES OF INCOME				
Federal and State Financial Assistance	545,557	-	-	545,557
Contributions	32,784	-	-	32,784
Private Grant Income	71,048	-	-	71,048
Investment Return	32,272	-	-	32,272
Gain on Sale of Property	3,351	-	-	3,351
Miscellaneous	16,697	-	-	16,697
Total	<u>701,709</u>	<u>-</u>	<u>-</u>	<u>701,709</u>
Total Revenue	<u>12,574,925</u>	<u>-</u>	<u>-</u>	<u>12,574,925</u>
EXPENSES				
Program Services:				
Retail Program - Cost of Goods Sold	2,387,780	-	-	2,387,780
Rehabilitation Services	9,515,478	-	-	9,515,478
Supporting Services:				
Management and General	658,766	-	-	658,766
Total Expenses	<u>12,562,024</u>	<u>-</u>	<u>-</u>	<u>12,562,024</u>
CHANGE IN NET ASSETS	12,901	-	-	12,901
NET ASSETS, BEGINNING OF YEAR	<u>3,041,124</u>	<u>-</u>	<u>-</u>	<u>3,041,124</u>
NET ASSETS, END OF YEAR	<u>\$ 3,054,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,054,025</u>

The accompanying notes are an integral part of these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
COMBINED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 1998**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	\$ 12,901
Adjustment to Reconcile Increase in Net Assets to Net Cash (Used in) Operating Activities:	
Depreciation	254,598
(Gain) on Sale of Fixed Assets	(3,351)
(Increase) in Accounts Receivable - Trade	(183,753)
(Increase) in Inventory	(100,457)
Decrease in Prepaid Expenses	6,986
(Decrease) in Accounts Payable and Accrued Expenses	(7,119)
(Decrease) in Deferred Revenue	<u>(20,569)</u>
Net Cash (Used in) Operating Activities	<u>(40,764)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Investments	72,495
Purchase of Fixed Assets	(339,481)
Proceeds from Sale of Fixed Assets	7,414
Decrease in Accounts Receivable - Employees	6,145
(Increase) in Deposits	<u>(840)</u>
Net Cash (Used in) Investing Activities	<u>(254,267)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Additions to Notes Payable	223,636
Payments on Notes Payable	<u>(236,201)</u>
Net Cash (Used in) Financing Activities	<u>(12,565)</u>

NET (DECREASE) IN CASH AND CASH EQUIVALENTS (307,596)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 949,188

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 641,592

The accompanying notes are an integral part of these combined financial statements.

**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.
and GOODWORKS, INC.**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. (GOODWILL) and GOODWORKS, INC. (GOODWORKS) (collectively "the Organizations") follow the accounting procedures and practices for voluntary health and welfare organizations established by the American Institute of Certified Public Accountants as published in the Industry Audit Guide on "Audits of Voluntary Health and Welfare Organizations," which constitute generally accepted accounting principles. **GOODWILL and GOODWORKS** assist people with disabilities and other special needs in their efforts to participate fully in society by helping them develop occupational capabilities and opportunities.

COMBINATION OF FINANCIAL STATEMENTS

The accompanying combined financial statements include the accounts of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.**, each of which is under common control. Intercompany transactions and balances have been eliminated in combination.

ALLOWANCE FOR BAD DEBTS

GOODWILL and GOODWORKS use the direct write-off method to provide for uncollectible accounts. There is no material effect on income using this method rather than the allowance method.

CONCENTRATION OF CREDIT RISK

GOODWILL services are rendered to people with disabilities or other disadvantaging conditions in Southeastern Louisiana. All of the training fees and grants are generated from rehabilitation clients. Goodwill grants credit to several state offices for the above stated training fees. All Goodwill's stores are located in Southeastern Louisiana.

GOODWILL and GOODWORKS have bank accounts exceeding the insurance coverage provided by the federal government. As of December 31, 1998, \$181,559 of the cash balance of \$641,592 is not insured.

CONTRIBUTION RECOGNITION

GOODWILL and GOODWORKS record contributions as restricted if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.
and GOODWORKS, INC.**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTION RECOGNITION (Continued)

The Organizations report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

FINANCIAL STATEMENT PRESENTATION

GOODWILL and **GOODWORKS** report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, **GOODWILL** and **GOODWORKS** are required to present a statement of cash flows.

DONATED MATERIAL AND SERVICE

Statement of Financial Accounting Standards (SFAS) No. 116 requires that contributions be recognized as revenue when received. During 1998, Goodwill recognized contributed merchandise with a fair value of \$2,482,987 as contribution revenue. This merchandise requires program related expenses/processes accomplished by people with disabilities and other disadvantaging conditions before it reaches its point of sale.

Goods purchased for resale are valued at the lower of cost or net realizable value.

A substantial number of volunteers have donated significant amounts of their time in the Organizations' program services. However, these services do not meet all of the applicable requirements of SFAS No. 116, therefore, no amounts have been reflected in the combined financial statements for these donated services.

INCOME TAXES

GOODWILL was formed in 1947 to provide services to the handicapped. The Organization was chartered in the State of Louisiana as a nonprofit organization and is exempt from Federal income taxes under Section 501(c) 3 of the Internal Revenue Code. **GOODWORKS** was formed in 1998. The Organization was chartered in the State of Louisiana as a nonprofit organization and has received a two year temporary status of exemption from Federal income taxes.

STATEMENT OF CASH FLOWS

For the purpose of the statement of cash flows, the Organizations consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.
and GOODWORKS, INC.**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, with the exception of donated items, which are stated at fair market value at date of donation. The Organizations use the straight-line depreciation method over the useful lives of its property. Buildings and Improvements are depreciated over 40 years. Furniture and Fixtures are depreciated over 10 years. Machinery and Equipment, Automobiles and Trucks are depreciated over 5 years and Handy-Vans are depreciated over 3 years. Leasehold Improvements are being amortized over the life of the lease. Depreciation expense for 1998 was \$254,598.

STATEMENT OF ACTIVITIES

During 1998, the Organizations had only unrestricted activity.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MERCHANDISE INVENTORY

Statement of Financial Accounting Standards (SFAS) No. 116 requires that contributions be recognized as inventory when received and be carried at fair value. Management estimates the fair value of inventory using a gross margin method.

ACCOUNTING FOR FINANCIAL INSTRUMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the combined statement of financial position. Unrealized gains and losses are included in the change in net assets.

NOTE B

INVESTMENTS

Investments are recorded at market value and consist of the following as of December 31, 1998:

U.S. Treasury Bills	<u>\$ 226,424</u>
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The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 1998:

Interest Income	<u>\$ 32,272</u>
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**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.
and GOODWORKS, INC.**

NOTE C

PREPAYMENTS AND OTHER CURRENT ASSETS

The components of prepayments and other current assets are summarized below:

	1998
Prepaid Insurance	\$ 155,517
Supplies	28,076
Prepaid - Other	2,022
Prepaid Rent	9,500
Prepaid SUTA Taxes	3,767
Accounts Receivable -- Employees	164
 Total Prepayments and Other Assets	 \$ 199,046

NOTE D

CONDOMINIUM

GOODWILL has two condominiums that it received as donations. They are being depreciated using the straight-line method. The condominiums are being rented and the rental income is used to fund current operations.

NOTE E

NOTES PAYABLE

GOODWILL was indebted to the following:

Holder	Maturity Date	Interest Rate	Secured By	December 31, 1998		
				Amount	Current	Long- Term
United Way Bynum Fund	Demand	None	Unsecured	\$ 2,100	\$ 2,100	\$ -
Installment Notes Payable on Insurance	5/99 & 7/99	None	Unsecured	130,454	130,454	-
				\$ 132,554	\$ 132,554	\$ -

**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.
and GOODWORKS, INC.**

NOTE F

LEASE AGREEMENTS

GOODWILL has the following leases as of December 31, 1998:

<u>Term</u>	<u>Monthly Payment</u>	<u>Property Leased</u>
May 1996 - Apr. 2000	\$ 3,342	Chef Menteur Hwy. Store
Oct. 1996 - Sept. 2000	3,899	Covington Store
June 1993 - May 2003	3,791	Slidell Store
Dec. 1996 - Dec. 2001	2,741	Plank Road
Jan. 1997 - Dec. 1998	5,500	Kenner Store
Aug. 1996 - July 2000	8,333	Chalmette Store
Jan. 1997 - Dec. 2001	3,000	Hammond Store
Jan. 1996 - Dec. 2000	2,842	LaPlace Store
Apr. 1996 - Mar. 1999	3,177	Magazine Store
July 1996 - Apr. 2003	6,000	Florida Store
Jan. 1996 - Dec. 2001	3,000	Algiers Store
June 1998 - June 2003	6,930	LaPalco
June 1998 - May 1999	420	Bon Marche
July 1998 - Jan. 2005	8,816	Clearview

Future minimum lease payments as of December 31 are as follows:

<u>Years</u>	<u>Amount</u>
1999	\$ 712,899
2000	552,230
2001	375,336
2002	306,444
2003 and after	<u>296,119</u>
	<u>\$ 2,243,028</u>

Rent expenses totaled \$690,217 in 1998.

GOODWILL entered into operating leases for four automobiles. The monthly payments on these operating leases total \$1,462. The minimum lease payments are as follows:

1999	<u>\$ 4,662</u>
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**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.
and GOODWORKS, INC.**

NOTE G

UNITED WAY CONTRIBUTIONS

Goodwill receives allocations and designations from several United Way Agencies. Allocations are restricted to funded programs whereas designations are unrestricted. The allocations and designations received in 1998 are as follows:

	<u>Allocations</u>	1998 <u>Designations</u>	<u>Total</u>
Greater New Orleans United Way	\$ 8,339	\$ -	\$ 8,339
United Way of St. Charles	1,875	-	1,875
St. John United Way	<u>4,350</u>	<u>-</u>	<u>4,350</u>
	<u>\$ 14,564</u>	<u>\$ -</u>	<u>\$ 14,564</u>
Fees Paid for Rehabilitation Service from Greater New Orleans United Way			<u>\$ 148,152</u>

NOTE H

REIMBURSEMENTS

Under its Projects with Industry (PWI) programs, **GOODWILL** trains persons with disabilities and vocational disadvantaging conditions for employment. Goodwill receives fees for such services provided from the Louisiana Department of Social Services, the Job Training Partnership Administration, Orleans Private Industry Council, or United Way.

NOTE I

PENSION PLAN

GOODWILL initiated a defined contribution pension plan in 1993 for the employees of its federal contracts. The plan does not have any minimum eligibility requirements to participate. The amount of the contribution is based on the specified contract that the employee is working on and the amount of regular hours, which that employee works. **GOODWILL** and **GOODWORKS** contributed \$326,251 to the plan in 1998.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
and GOODWORKS, INC.**

**SCHEDULE I
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1998**

ASSETS	Goodwill	Goodworks	Elimination	Total
CURRENT				
Cash and Cash Equivalents	\$ 635,562	\$ 6,030	\$ -	\$ 641,592
Investments	226,424	-	-	226,424
Accounts Receivable - Trade	1,004,532	113,174	-	1,117,706
Merchandise Inventory	305,583	-	-	305,583
Due from Goodwill	-	180,685	(180,685)	-
Prepaid Expenses and Other	175,133	23,913	-	199,046
Total	<u>2,347,234</u>	<u>323,802</u>	<u>(180,685)</u>	<u>2,490,351</u>
PROPERTY AND EQUIPMENT				
Land	281,964	-	-	281,964
Building and Building Improvements	1,470,416	-	-	1,470,416
Machinery and Equipment	308,304	111,523	-	419,827
Furniture and Fixtures	533,719	-	-	533,719
Handy-Vans	11,743	-	-	11,743
Automobiles and Trucks	216,917	-	-	216,917
Leaschold Improvements	174,064	-	-	174,064
Condo - Timeshare	30,000	-	-	30,000
	3,027,127	111,523	-	3,138,650
Less: Accumulated Depreciation	<u>1,665,151</u>	<u>91,022</u>	<u>-</u>	<u>1,756,173</u>
Property and Equipment - Net	<u>1,361,976</u>	<u>20,501</u>	<u>-</u>	<u>1,382,477</u>
OTHER ASSETS				
Deposits	<u>39,307</u>	<u>-</u>	<u>-</u>	<u>39,307</u>
Total Assets	<u>\$ 3,748,517</u>	<u>\$ 344,303</u>	<u>\$ (180,685)</u>	<u>\$ 3,912,135</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable - Accrued Expenses and Taxes	\$ 604,941	\$ 103,282	\$ -	\$ 708,223
Deferred Revenue	17,333	-	-	17,333
Due to Goodworks	180,685	-	(180,685)	-
Notes Payable	132,554	-	-	132,554
Total Liabilities	<u>935,513</u>	<u>103,282</u>	<u>(180,685)</u>	<u>858,110</u>
NET ASSETS				
Unrestricted	2,813,004	241,021	-	3,054,025
Temporarily Restricted	-	-	-	-
Permanently Restricted	-	-	-	-
Total Net Assets	<u>2,813,004</u>	<u>241,021</u>	<u>-</u>	<u>3,054,025</u>
Total Liabilities and Net Assets	<u>\$ 3,748,517</u>	<u>\$ 344,303</u>	<u>\$ (180,685)</u>	<u>\$ 3,912,135</u>

See Independent auditor's report on supplemental information.

GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
and GOODWORKS, INC.

SCHEDULE II
COMBINING STATEMENT OF ACTIVITIES
For The Year Ended December 31, 1998

	Goodwill			Goodworks, Inc.			Elimination	Combined Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
SALES REVENUE								
Retail Stores	\$ 4,578,490	\$ -	\$ -	\$ 4,578,490	\$ -	\$ -	\$ -	\$ 4,578,490
Contributed Revenue - Donated Goods	2,482,987	-	-	2,482,987	-	-	-	2,482,987
Salvage	299,135	-	-	299,135	-	-	-	299,135
Catering	33,132	-	-	33,132	-	-	-	33,132
Total	7,393,744	-	-	7,393,744	-	-	-	7,393,744
VOCATIONAL TRAINING REVENUE								
Janitorial Contracts	498,485	-	-	498,485	-	-	-	3,906,102
Training Fees	425,218	-	-	425,218	-	-	-	425,218
Training Fees - United Way	148,152	-	-	148,152	-	-	-	148,152
Total	1,071,855	-	-	1,071,855	3,407,617	-	-	4,479,472
OTHER SOURCES OF INCOME								
Federal and State Financial Assistance	545,557	-	-	545,557	-	-	-	545,557
Contributions	32,784	-	-	32,784	-	-	-	32,784
Private Grant Income	71,048	-	-	71,048	-	-	-	71,048
Investment Return	32,272	-	-	32,272	-	-	-	32,272
Gain on Sale of Property	3,351	-	-	3,351	-	-	-	3,351
Administrative Fee Income	275,343	-	-	275,343	-	-	(275,343)	-
Miscellaneous	14,210	-	-	14,210	2,487	-	-	16,697
Total	974,565	-	-	974,565	2,487	-	(275,343)	701,709
Total Revenue	9,440,164	-	-	9,440,164	3,410,104	-	(275,343)	12,574,925
EXPENSES								
Program Services:								
Retail Program - Cost of Goods Sold	2,387,780	-	-	2,387,780	-	-	-	2,387,780
Rehabilitation Services	6,651,040	-	-	6,651,040	3,139,781	-	(275,343)	9,515,478
Supporting Services:								
Management and General	629,464	-	-	629,464	29,302	-	-	658,766
Total Expenses	9,668,284	-	-	9,668,284	3,169,083	-	(275,343)	12,562,024
CHANGE IN NET ASSETS	(228,120)	-	-	(228,120)	241,021	-	-	12,901
NET ASSETS, BEGINNING OF YEAR	3,041,124	-	-	3,041,124	-	-	-	3,041,124
NET ASSETS, END OF YEAR	\$ 2,813,004	\$ -	\$ -	\$ 2,813,004	\$ 241,021	\$ -	\$ -	\$ 3,054,025

	Goodwills.			Goodworks, Inc.			Combined Total		
	Management and General	Rehabilitation Service	Total	Management and General	Rehabilitation Service	Total	Management and General	Rehabilitation Service	Total
ADMINISTRATIVE									
Payroll Taxes	24,751	312,364	337,115	1,683	144,199	145,882	26,434	456,563	482,997
Workmen's Compensation Insurance	1,400	54,303	55,703	100	45,404	45,504	1,500	99,707	101,207
Insurance - Employee Benefits	24,521	91,416	115,937	3,605	-	3,605	28,126	91,416	119,542
Subcontracting	-	4,855	4,855	-	23,017	23,017	-	27,872	27,872
Professional Fees	50,391	20,483	70,874	-	12,497	12,497	50,391	32,980	83,371
NISH Commissions	-	-	-	-	133,669	133,669	-	133,669	133,669
Telephone	11,368	78,755	90,123	-	5,640	5,640	11,368	84,395	95,763
Membership Dues	4,439	55,657	60,096	-	-	-	4,439	55,657	60,096
Printing	6,277	60,101	66,378	-	585	585	6,277	60,686	66,963
Conferences, Convention and Meetings	-	439	439	-	-	-	-	439	439
Postage	2,427	18,852	21,279	-	225	225	2,427	19,077	21,504
Other Administrative	21,281	85,991	107,272	265	288,916	289,181	21,546	374,907	396,453
Tax and Licenses	715	549	1,264	-	31	31	715	580	1,295
Bad Debt Expense	-	1,977	1,977	-	19	19	-	1,996	1,996
	<u>147,570</u>	<u>785,742</u>	<u>933,312</u>	<u>5,653</u>	<u>654,202</u>	<u>659,855</u>	<u>153,223</u>	<u>1,439,944</u>	<u>1,593,167</u>
DEPRECIATION									
	<u>10,000</u>	<u>233,903</u>	<u>243,903</u>	<u>360</u>	<u>10,335</u>	<u>10,695</u>	<u>10,360</u>	<u>244,238</u>	<u>254,598</u>
Total	<u>\$ 629,464</u>	<u>\$ 6,651,040</u>	<u>\$ 7,280,504</u>	<u>\$ 29,302</u>	<u>\$ 3,139,781</u>	<u>\$ 3,169,083</u>	<u>\$ 658,766</u>	<u>\$ 9,790,821</u>	<u>\$ 10,449,587</u>

OMB CIRCULAR A-133 SECTION

GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 1998

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Revenue/ Expenses Recognized	Federal Revenue/ Expenses Recognized	State Revenue/ Expenses Recognized
MAJOR PROGRAMS					
Department of Health and Human Services					
Passed-Through State of Louisiana Office of Family Services					
Project Independence	93.561	355/700163/511005	\$ 340,365	\$ 272,292	\$ 68,073
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>340,365</u>	<u>272,292</u>	<u>68,073</u>
OTHER FEDERAL ASSISTANCE					
U. S. DEPARTMENT OF EDUCATION					
Passed-Through Goodwill Industries International					
Projects with Industry	84.234	11234L50031	<u>47,316</u>	<u>47,316</u>	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed-Through Unity for the Homeless					
Supportive Housing	14.235	LA48B94-0628	13,944	13,944	-
Supportive Housing	14.235	LA48B97-0206	6,374	6,374	-
Employment Service for Homeless	14.235	LA48B96-1401	31,912	31,912	-
Passed-Through City of New Orleans					
CDBG - ETS Goodwill	14.228	50-192(98)	52,068	52,068	-
CDBG - LES Goodwill	14.228	50-175(97)	<u>10,911</u>	<u>10,911</u>	-
Subtotal - U.S. Department of Housing and Urban Development			<u>115,209</u>	<u>115,209</u>	-
U. S. DEPARTMENT OF LABOR					
Passed-Through Jefferson Parish Department of Employment and Training					
Job Training Partnership Act	17.248	97 Goodwill	3,870	3,870	-
		98 Goodwill	1,530	1,530	-
Passed-Through Orleans Private Industry Council, Inc.					
Job Training Partnership Act	17.248	97-2A/03-018	23,400	23,400	-
Job Training Partnership Act	17.248	97-2A/2C/03-008	<u>13,867</u>	<u>13,867</u>	-
Subtotal - U.S. Department of Labor			<u>42,667</u>	<u>42,667</u>	-
TOTAL OTHER FEDERAL ASSISTANCE			<u>205,192</u>	<u>205,192</u>	-
TOTAL			<u>\$ 545,557</u>	<u>\$ 477,484</u>	<u>\$ 68,073</u>

See independent auditor's report.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc.

We have audited the combined financial statements of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.**, as of and for the year ended December 31, 1998, and have issued our report thereon dated June 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s and GOODWORKS, INC.'s** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit we considered **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s and GOODWORKS, INC.'s** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, Management, Finance Committee, Louisiana Department of Health and Human Services, Office of Family Services, City of New Orleans, the Department of Housing and Urban Development, Goodwill Industries International, Jefferson Parish Department of Employment and Training, Orleans Private Industry Council, Inc. and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

Sabate, Schil, Frazier & Neal

A Professional Accounting Corporation

June 18, 1999



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc.

Compliance

We have audited the compliance of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.** with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1998. **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s and GOODWORKS, INC.'s** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s and GOODWORKS, INC.'s** management. Our responsibility is to express an opinion on **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s and GOODWORKS, INC.'s** compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s and GOODWORKS, INC.'s** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s and GOODWORKS, INC.'s** compliance with those requirements.

In our opinion, **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.** and **GOODWORKS, INC.** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

The management of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.** and **GOODWORKS, INC.** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s** and **GOODWORKS, INC.'s** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, Management, Finance Committee, Louisiana Department of Health and Human Services, Office of Family Services, City of New Orleans, the Department of Housing and Urban Development, Goodwill Industries International, Jefferson Parish Department of Employment and Training, Orleans Private Industry Council, Inc. and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.



A Professional Accounting Corporation

June 18, 1999

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For The Year Ended December 31, 1998**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the combined financial statements of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.**
2. No reportable conditions relating to the audit of the combined financial statements of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.** were disclosed during the audit.
3. No instances of noncompliance material to the combined financial statements of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.** were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.** expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.** are reported in Part C. of this Schedule.
7. The program tested as a major program included:

PROGRAM	<u>CFDA No.</u>
Project Independence	93.561

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. and GOODWORKS, INC.** were not determined to be low-risk auditees.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
STATUS OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended December 31, 1998

Prior Year Audit Findings

None Noted